PRINCIPLES

FOR STABLE CAPITAL FLOWS AND FAIR DEBT RESTRUCTURING

Report on Implementation
by the
Principles Consultative Group

With Comprehensive Update on
Investor Relations Programs
and Data Transparency

SEPTEMBER 2011

TRANSPARENCY COOPERATION GOOD FAITH FAIR TREATMENT

Report of the Principles Consultative Group (PCG) on 2011 Implementation of the Principles for Stable Capital Flows and Fair Debt Restructuring

September 2011

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The cut-off date for the data used in this report was September 16, 2011.

I. Overview

Global economic developments over the past year have been dominated by four inter-related factors: (1) the weakening global growth outlook as a result of a softening of activity in mature countries; (2) the overheating pressures in some emerging markets; (3) the sovereign debt crisis in the Euro Area; and (4) the concerns about the U.S. fiscal outlook and public debt. Discussions among Principles Consultative Group (PCG) members have focused on the evolving institutional and policy developments in coping with the Euro Area debt crisis, progress and challenges in dealing with the cases of Ireland and Iceland, and the broad agreement for a voluntary private sector involvement (PSI) in support of Greece's reform efforts.

Global economic growth weakened during the first half of 2011, primarily as a result of a softening of growth in the United States, Japan, and Euro Area. Emerging markets continued to be the main engine of growth. According to the latest Institute of International Finance (IIF) estimates, global growth is projected to decline from 4.4 percent in 2010 to 3.4 percent in 2011, with a modest pickup in 2012 to 3.6 percent. Growth in mature countries would fall back from 2.7 percent in 2010 to 1.4 percent in 2011, before recovering somewhat to 1.8 percent in 2012. Output growth in emerging economies would remain strong, but would ease steadily from 7.3 percent in 2010 to 6.0 percent in 2012. Despite the softening of growth, world inflation flared up somewhat in 2011 (to 3.9 percent, compared to 3.2 percent in 2010) as a result of strong upward pressures in oil and food prices, reflecting mainly supply shocks, as well as strong demand pressures in some key emerging markets.

The weakened prospects are explained by both exogenous factors, related to the Japanese earthquake/energy crisis and the Arab uprisings and associated supply disruptions, as well as by policy developments. Uncoordinated policies among major mature and emerging market countries have hindered rather than aided the fragile recovery. Fiscal policy was tightened in mature countries, particularly in the Euro Area, but continued to be loose in emerging markets. Monetary policy was extraordinarily accommodative overall, with some recent interest rate increases in emerging markets and the Euro Area. Finally, financial regulatory policies have encouraged persistent deleveraging of the global banking system, limiting significantly bank credit expansion to the private sector.

The positive growth and short-term interest rate differentials between emerging and mature economies has stimulated a strong recovery in net private capital flows to emerging markets, which, while aiding growth, have added to the policy challenges facing emerging markets. IIF estimates, completed prior to the recent turmoil in global equity markets and heightened risk aversion, confirmed the sharp increase in net private capital flows to about $1 billion in 2010 and projected a leveling off of these flows at a slightly higher level in 2011 and 2012. The strong capital inflows and the even stronger domestic bank credit expansion in many emerging market countries have added to the inflationary pressures, the risk of asset price bubbles, and the upward pressures on currencies. The response to these policy challenges differed across countries and included increases in reserve requirements and policy interest rates, nominal exchange rate adjustments, and resort by several countries to capital controls to stem currency appreciation.

One of the major developments in sovereign debt markets over the past year has been the increased focus on and heightened policy concerns about the outlook for fiscal and public debt sustainability in mature countries, particularly in the Euro Area and the United States, unlike the past experience in which emerging markets had been the center of attention. Market concerns have centered on the prospects for a smooth unwinding of the large fiscal imbalances and debt overhang that had resulted from the recent global financial crisis and on the likely impact on output growth. In the aftermath of the prolonged process in the U.S. Congress to raise the government debt ceiling, S&P lowered in August 2011 the U.S. rating from AAA to AA+.

The tensions in the sovereign debt markets were particularly strong in the Euro Area, concentrated initially in Greece but expanded subsequently to Ireland, Portugal, and other Euro Area countries with large public debt burdens. The Euro Area authorities responded to these challenges with a range of new policy initiatives and institutional reforms, including the setting up of the European Financial Stability Facility (EFSF). The EFSF is to be succeeded from July 2013 onward by the European Stability Mechanism (ESM). They have extended financial support, together with the International Monetary Fund (IMF), for the adjustment programs adopted by Greece, Ireland, and Portugal. The European Central Bank (ECB) also took measures to preserve financial stability in the Euro Area. On July 21, 2011, the Euro Area leaders adopted a comprehensive package in support of Greece that included a voluntary PSI coordinated by the IIF. The package entails a debt exchange or roll over of maturing sovereign bonds—via a menu of four options having a net present value (NPV) reduction of 21 percent—during the 9-year period to 2020 and a debt buyback program. The PSI was agreed to in a consultation process that is fully consistent with the core guidelines of the *Principles*.

The PCG, which includes senior officials from developed and emerging economies as well as senior

Box 1. Benefits of Implementing the *Principles*

The *Principles'* overriding strength is that they incorporate voluntary, market-based, flexible guidelines for the behaviors and actions of debtors and creditors, which have been developed by all concerned parties. The main benefit for the system as a whole is their proactive and growth-oriented focus, given that the *Principles* are operative not only after a crisis has occurred, but mainly during times of diminished market access and early stages of crisis containment.

The *Principles* also yield substantial shared benefits for emerging-market and other sovereign issuers and their creditors. They can reduce debtor country vulnerabilities to economic or financial crises, as well as the frequency and severity of crises, by promoting:

- Information sharing and close consultations between debtors and their creditors to provide incentives for sound policy action in order to build market confidence, thus ensuring stable capital flows to these countries and preserving financial stability.
- Enhanced creditor-debtor communication by encouraging debtors to strengthen IR activity on the basis of market best practices and encouraging investors to provide feedback. IR practices help enable policymakers to make market-informed policy decisions.
- Early corrective action through sound policymaking, stimulated in some cases by intensified IR or based on direct consultations between the debtor and its creditors.
- Cooperative behavior between debtors and creditors toward an orderly restructuring based on engagement and good-faith negotiations toward a fair resolution of debt servicing difficulties. Such actions could accelerate a country's restoration of market access and economic growth.

Through these cooperative actions, the *Principles* have underpinned a sustainable and healthy flow of private capital to emerging-market economies, facilitating needed investment for long-term growth.

In addition, cooperative action and enhanced creditor-debtor communication are consistent with the implementation of debt relief programs supported by multilateral organizations and public sector creditors, in particular, the Highly Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), as early communication enables a more accurate calculation of a common reduction factor that provides the basis for the amount of debt relief needed to bring low-income countries back to sustainable debt levels.

New sovereign issuers in particular stand to benefit from the proactive implementation of enhanced data transparency and IR practices as recommended by the *Principles*. New issuers can attract investment through strengthened communication with creditors.

bankers and investors, continued to monitor global capital market developments during the recovery in global economic activity and subsequent strains in sovereign markets, particularly in mature economies, assessing the implications for emerging markets and other sovereign issuers, and providing them with feedback on policies, prospects, and adjustment needs.

The *Principles* incorporate voluntary, market-based, flexible guidelines for the behavior of sovereign debtors and private creditors with a view to promoting and maintaining stable capital flows and supporting financial stability and sustainable growth. The *Principles* promote crisis prevention through the pursuit of strong policies, data transparency and open communication with creditors and investors (particularly under investor relations [IR] programs), and effective crisis resolution through *inter alia* good-faith negotiations with representative groups of creditors and fair treatment of all creditors. The *Principles* applied until October 2010 to sovereign issuers in emerging markets, but their coverage has since been broadened to encompass on a voluntary basis all sovereign issuers, as well as cases of debt restructurings by non-sovereign entities in which the state plays a major role in influencing the legal and other key parameters of debt restructurings.

The experience since the launching of the *Principles* in 2004 has demonstrated the benefits that result from an effective implementation of the *Principles* in helping safeguard access to private external financing at a time of exceptional stress in the global financial system (see Box 1). Countries with strong policy performance and active IR programs have clearly done well relative to others during the recent period of market turbulence. The *Principles* also have been very helpful in the limited number of cases of debt servicing difficulties by facilitating cooperative solutions. Over the past year, the *Principles* have served as a reference for the formulation of the operating modalities concerning relationships with private sector creditors in the new institutional arrangements set up by the Euro Area to handle debt management difficulties (the ESM). In fact, guidelines consistent with the *Principles* have been applied in practice during the ongoing process for reaching agreement on the PSI in support of Greece. The flexible guidelines for cooperation and engagement offered by the *Principles* have once again proved to be a more effective and preferred framework than the alternative of top-down directed or statutory approaches to the restructuring of sovereign debt.

II. Framework for Implementation of the *Principles*

The *Principles* set forth a voluntary approach to debtor-creditor relations, designed to promote stable capital flows to emerging-market and other debtor countries through enhanced transparency, dialogue, good-faith negotiations, and equal treatment of creditors. The implementation of the *Principles* is based on the cooperation and partnership between issuers and investors that was evident during the discussion that led to their creation. The implementation process has six broad objectives:

1. Monitoring and evaluating how the *Principles* are being adhered to by issuers and investors;
2. Facilitating the development of a continuous effort by issuers and investors to keep each other abreast of developments in emerging markets and other debtor countries and encouraging sound policies and investor support;
3. Providing guidance in cases in which early course correction can promote better conditions for stable capital flows;
4. Providing recommendations to authorities with respect to better IR practices and enhanced transparency, including the format and frequency of data being disseminated to the market;
5. Offering guidance for the debt restructuring process in appropriate cases; and
6. Helping ensure the continued relevance of the *Principles* in light of changing characteristics of international capital and sovereign credit markets.

The Group of Trustees is the guardian of the *Principles.* The Group consists of 44 current and former leaders in global finance with exceptional experience and credibility. The Group has four co-chairs. In February 2011, following the termination of former Central Bank of Brazil Governor Henrique de Campos Meirelles' position as Co-Chair of the Group of Trustees, Governor Zhou Xiaochuan of the People's Bank of China and Governor Agustín Carstens of Banco de México joined President Jean-Claude Trichet of the European Central Bank and Mr. Toshihiko Fukui, former Governor of the Bank of Japan, as Co-Chairs of the Group of Trustees.

The Trustees meet once a year to review the progress being made on the implementation of the *Principles* within the framework of the international financial architecture.

The Group's mandate includes

- Reviewing the evolution of the international financial system as it relates to emerging markets and other major debtor countries;
- Reviewing the development of the *Principles*, including their implementation; and
- Making proposals for modification of the *Principles*, if needed.

The Group oversees the work of the PCG, a select group of finance and central bank officials with senior representatives of the private financial community tasked with monitoring and encouraging the practical application of the *Principles.*

The PCG has 35 members, including finance and central bank officials from a diverse group of emerging markets and senior representatives of the private financial community, many of whom were instrumental in the formulation of the *Principles.* The membership of the Group has increased since its first meeting in 2005, to represent more adequately the evolution of global finance in emerging markets and other debtor countries. The PCG maintains an appropriate balance between private and public sector members, as well as membership balanced in geographical scope.

The purposes of the PCG are to

- Consider specific country circumstances with a view toward providing suggestions to authorities and creditors as to how to better align their policies and actions with the *Principles*;

- Evaluate a wide range of country cases, including those in which significant progress has been made, as well as others that are facing market difficulties;
- Consider the implications of developments in global capital markets for emerging markets and other sovereign debtors and possible measures to address any systemic difficulties that may arise; and
- Review market trends and the changing characteristics of capital and credit markets in order to ascertain if the *Principles* remain relevant or require amendment. Such reviews will be generally completed ahead of the annual meetings of the Group of Trustees.

PCG meetings are held regularly to discuss implementation issues, country cases, and implications of developments in global capital markets. Members enrich PCG discussions with diverse experiences and perspectives.

IMF staff (from the Strategy, Policy, and Review Department and the Monetary and Capital Markets Department) and a representative from the Federal Reserve Bank of New York have joined PCG discussions for some time as observers. Additional observers from the World Bank, the International Finance Corporation (IFC), the Inter-American Development Bank (IADB), the European Bank for Reconstruction and Development (EBRD), the Bank for International Settlements (BIS), and the ECB also participate. The active and positive involvement of the representatives from international financial institutions provide further evidence of broad support for the *Principles*' implementation process.

The IIF supports both the Group of Trustees and the PCG as their secretariat. Annex I contains the full text of the *Principles,* Annex III lists the members of the Group of Trustees, and Annex IV provides a list of the members of the PCG.

The IIF secretariat consults with members of the PCG as well as other market participants as to which country cases or regions should be included in PCG discussions. It also prepares background material on international capital market developments, country issues, and other topics on the agenda.

III. PCG Discussions on Regional and Country Circumstances

At their last meeting in October 2010, in the context of the joint Annual Meetings of the World Bank and the IMF and the parallel Annual Membership Meetings of the IIF, the Group of Trustees reviewed the PCG's implementation report and welcomed the PCG's effectiveness in providing feedback to a range of emerging market authorities over the previous 12 months on the implementation of the *Principles,* policy options, and adjustment needs.

The Trustees underscored their confidence in the value of the *Principles,* which incorporate voluntary, market-based, flexible guidelines for the behaviors of sovereign debtors and private creditors with a view to promoting and maintaining stable private capital flows and supporting financial stability and sustainable growth. They also emphasized that the *Principles* continued to be valuable in encouraging crisis prevention through the pursuit of strong policies, data transparency and open communication with creditors and investors (particularly under investor relations programs [IRPs]), and effective crisis resolution through *inter alia* good-faith negotiations with representative groups of creditors and fair treatment of all creditors.

In reviewing the application of the *Principles,* the Trustees reiterated that countries with strong policy performance and active IRPs had clearly done well relative to others during the recent period of market turbulence. The Trustees also welcomed the fact that since the establishment of the *Principles* in 2004, a growing number of sovereign borrowers had recognized the importance of active IR and strong data dissemination practices as tools to strengthen their relationship with the investor community. The Trustees noted that the *Principles* also had been very helpful in the few cases of debt-servicing difficulties and emphasized the value of adherence to the best practices for creditor committees—based on the *Principles* and the collective experience of the PCG in the restructuring processes—in guiding their formation and actions in several circumstances.

While the *Principles* had initially been designed to apply in cases involving sovereign debt obligations of emerging market countries, the Trustees recognized that the experience over the previous year had demonstrated the usefulness of the *Principles* for low-income countries and other developing countries seeking debt reduction from their private external creditors, including under the enhanced HIPC and MDRI. In addition, the Trustees agreed that the *Principles* had also proved useful in several cases of debt restructuring for non-sovereign entities in which the state had played a major role in influencing the legal framework governing the relations between debtors and creditors and other parameters of debt restructuring.

Against this background, and on the basis of the report of the PCG Working Group on the Applicability of the Principles, the Group of Trustees accepted the recommendation to broaden the coverage, on a voluntary basis, of the applicability of the *Principles* to include sovereign issuers beyond the traditional emerging markets, as well as cases of debt restructurings for non-sovereign entities in which the state plays a major role. Moreover, the Group of Trustees agreed to drop the reference to emerging markets from the title of the *Principles.*

Over the past year, the PCG held five conference calls (more frequently than the normal quarterly schedule) to review evolving country cases and developments in sovereign debt markets. These conference calls focused primarily on reviewing the rapidly evolving debt management challenges and policy initiatives to address these challenges in the Euro Area. The PCG focused also on reviewing the ongoing efforts by the authorities in Greece, Ireland, and Portugal to reinforce their economic policies and address their fiscal imbalances and high debt burdens, under Euro Area/IMF-supported programs. The PCG followed closely the debt resolution efforts in Greece and the ongoing efforts to secure a voluntary PSI in support of Greece's adjustment efforts, in parallel with additional official financial support from other Euro Area countries and the IMF. In addition, the PCG continued to monitor the progress in the debt restructuring discussions for the three failed banks in Iceland in which the state had intervened, and developments in Dubai in the aftermath of last year's debt restructuring, while also reviewing briefly the renewed debt-servicing difficulties in Côte d'Ivoire.

International Capital Markets and Emerging Markets Roundtable

On April 17, 2011, the Co-Chairs of the Group of Trustees hosted the annual Roundtable on International Capital Markets and Emerging Markets in Washington, DC. The Roundtable has emerged as a primary forum for dialogue among senior leaders in global finance and policymakers, as it brings together public officials from both mature and emerging market economies, leaders from the private financial sector, and representatives from international financial institutions.

The Roundtable events were preceded by a special presentation on the evening of April 16 by U.S. Treasury Secretary Timothy Geithner on the U.S. fiscal challenges; the session included an informal and well-received Q&A session with the audience.

The main Roundtable meeting on April 17 started with a keynote presentation by ECB President and Co-Chair of the Group of Trustees, Jean-Claude Trichet, on the ECB's monetary policy challenges. It was followed by two panel discussions on the challenges for sovereign debt markets and the lessons from the experience of emerging markets and on the policies to cope with the increasing net private capital inflows to emerging markets. The Roundtable also included presentations on the evolving situation in Japan and the Middle East and North Africa region, as well as a Keynote Address by Governor Miguel Fernandez Ordoñez of the Bank of Spain. The Roundtable was well attended, and participants found the free exchange of views among panelists on issues of ongoing policy debate (particularly the debt management issues in the Euro Area) of particular interest.

Evolving Debt Crisis Management Framework in the Euro Area

The PCG took an active interest in following closely developments in the Euro Area and the intensified efforts of the authorities to establish an appropriate institutional framework to provide financial support to member countries facing difficulties in accessing capital markets so as to promote economic adjustment and an unwinding of the high fiscal imbalances and public debt burdens, while also preserving financial stability and avoiding contagion in the region.

As Box 2 indicates, these efforts have been multifaceted and far-reaching, and they are still evolving. During these discussions, the PCG underscored the usefulness of increased reliance on the core guidelines of the *Principles* in promoting crisis prevention through the adoption of strong policies and a more open dialogue with investors and data disclosure on both recent developments and future policy intentions.

The PCG also explored the ways through which its recommendations could be passed on to policymakers and inform their deliberations on how best to engage with private sector creditors and mobilize their support, including in cases of debt crisis resolution. In the latter context, the PCG was concerned about some initial statements by senior public officials from Euro Area countries that advocated more dictated top-down processes for enlisting private sector contribution in case of insolvency as part of the deliberations on the operational modalities of the envisaged permanent debt crisis management framework. Instead, the PCG encouraged the adoption of market-based consultative procedures in line with the *Principles.*

To this end, a delegation consisting of IIF staff and selected members of the PCG held informal discussions during the period from December 2010 to March 2011 with senior officials from the European Commission and the Office of the European Council President Van Rompuy on the envisaged features of the ESM (regarding interaction with private sector creditors) and conveyed the PCG recommendations. As highlighted in Box 3, the eventual Term Sheet for the ESM adopted by the

European Council at its meeting of March 25, 2011, incorporates provisions for the timely dissemination of information and for a voluntary and consultative process of discussions between sovereign debtors and private sector creditors based, in case of debt resolution, on active negotiations in good faith, transparency, and fairness—fully consistent with the *Principles*.

PCG Discussions on Country Cases

The PCG discussions of regional Euro Area issues also covered in some detail the evolving developments in Greece and the constructive engagement by the private sector to participate on a voluntary basis in supporting Greece's stepped-up reform efforts (see Box 4 for more details). The PCG was supportive of Greece's efforts to strengthen further its policies and seek, with the Euro Area official sector, to collaborate with private creditors, as well as the private investors' positive response to this call. The PCG welcomed the open dialogue, the transparency in sharing economic information, and eventually the good-faith negotiations and fair treatment of all creditors.

The PCG was also appreciative of the IIF's instrumental role in facilitating the agreement on the PSI for Greece. The IIF served, together with the IIF Task Force on Greece, as the representative of private creditors and investors to Greece, most of them members of the IIF.

The IIF PSI proposal outlined in Box 4 demonstrated the willingness of a broad range of

Box 2. Evolving Debt Crisis Management Framework in the Euro Area

The Euro Area's institutional framework and policy approach to debt crisis management has evolved substantially since the adoption by Greece of a 3-year economic adjustment program with financial support from the Euro Area and the IMF in May 2010. The EFSF was set up in June 2010 with a 3-year mandate to borrow up to €440 billion with guarantees from Euro Area member states for on-lending to member countries requesting financial assistance—typically in case of heightened fiscal and debt sustainability concerns and difficulties in accessing capital markets—on the basis of reform programs with strict conditionality. EFSF financing was subsequently extended to Ireland in November 2010 and Portugal in May 2011 in support of their 3-year reform programs, in parallel with IMF financing.

Discussions within the Euro Area on a permanent framework for sovereign debt crisis management to succeed the EFSF in July 2013 were concluded at the European Council meeting of March 2011. At this meeting, the European Council adopted a comprehensive framework for economic governance that included (1) strengthened arrangements for fiscal discipline under the Growth and Stability Pact; (2) reinforced procedures for macroeconomic surveillance and improvements in competitiveness; and (3) enhancements in the resources available to EFSF and the flexibility in their use (allowing primary market purchases of sovereign bonds of member states with approved reform programs). In addition, the European Council adopted a decision amending the European Union Treaty (subject to national approval procedures) to allow for the setting up of a permanent ESM, which will have an effective lending capacity of €500 billion. The function of the ESM will be to provide financial assistance (program support or primary market support), under strict conditionality, to Euro Area member countries that are experiencing or are threatened by severe financial problems, in order to safeguard the financial stability of the Euro Area as a whole.

With the escalating pressures in the sovereign debt market for Greece and other Euro Area countries and the emerging difficulties faced by some European banks in the short-term funding and capital raising markets, a further reinforcement of the policy framework for debt crisis management was agreed to by Euro Area leaders in their meeting on July 21, 2011. More specifically, it was decided to (1) extend the maturity of the EFSF lending to 15–30 years, with a grace period of 10 years, and lower the interest rate charge to close to the EFSF funding costs (then at around 3.5 percent for 10-year maturities), and (2) increase the flexibility and broaden the scope of operations of the EFSF and the ESM in order to improve their effectiveness and address contagion through (a) precautionary programs; (b) the financing of the recapitalization of financial institutions through loans to governments, including non-program countries; (c) intervention in the secondary sovereign bond markets on the basis of ECB analysis; and (d) a commitment to continue to provide support to countries under programs until they have regained market access.

private sector investors in Greek sovereign bonds to participate in a voluntary program of debt exchange and debt buyback designed to provide significant cash-flow relief through 2020. By doing so at longer maturities and lower interest rates than are likely to be possible otherwise, this voluntary PSI also will make a major contribution to improving the sustainability of Greece's public debt. The July 21 statement by Euro Area leaders emphasized that Greece was a special case that required an exceptional and unique solution, suggesting that PSIs would not be required in other countries in the region.

The PCG recognized that more work needs to be done in implementing the debt exchange and the debt buyback envisaged under the agreed voluntary PSI with a high level of investor participation, as well as in keeping Greece's adjustment program on track.

Besides Greece, the PCG also monitored developments in Ireland. The PCG noted Ireland's progress in recapitalizing (in large part through state participation) its key commercial banks and followed closely the efforts to seek the participation of private sector holders of unsecured subordinated bank debt.

On other country cases, the PCG continued to follow up on the progress in the ongoing bank restructuring process in Iceland. It welcomed the successful conclusion of a restructuring agreement for a small bank in a process consistent with the *Principles* and expressed the hope that similar procedures would be used for the other banks (Box 5). The PCG also noted the successful return to

Box 3. European Stability Mechanism

The Term Sheet for the ESM adopted by the European Council in the Conclusions of its meeting of March 24–25, 2011, includes several provisions for PSI that are fully consistent with the *Principles*. Extracts from these provisions are highlighted below:

Private Sector Involvement

"If ESS [ESM stability support] is requested, the Commission, together with the IMF and in liaison with the ECB, will assess the actual financing needs of the beneficiary Member State and the nature of the required private sector involvement, which should be consistent with IMF practices."

"An adequate and proportional form of private sector involvement will be expected on a case-by-case basis where financial assistance is received by the beneficiary State. The nature and extent of this involvement will be determined on a case-by-case basis and will depend on the outcome of a debt sustainability analysis, in line with IMF practice, and on potential implications for Euro Area financial stability."

"If, on the basis of a debt sustainability analysis, it is concluded that a macroeconomic programme cannot realistically restore the public debt to a sustainable path, the beneficiary Member State will be required to engage in active negotiations in good faith with its creditors to secure the direct involvement in restoring debt sustainability. The granting of the financial assistance [by the ESM] will be contingent on the Member State having a credible plan and demonstrating sufficient commitment to ensure adequate and proportionate private sector involvement."

"In negotiating with creditors, the beneficiary Member State will adhere to the following principles:

- *Proportionality:* The Member State will seek solutions proportionate to its debt sustainability problem.
- *Transparency:* The Member State concerned will engage in an open dialogue with creditors and share relevant information with them on a timely basis.
- *Fairness:* The Member State will consult creditors on the design of any rescheduling or restructuring of public debt with a view to reaching negotiated solutions. Measures reducing the net present value of the debt will be considered only when other options are unlikely to deliver the expected results."

Collective Action Clauses

"Collective Action Clauses (CACs) will be included in all new Euro Area government securities, with maturity above 1 year, from July 2013 … us[ing] identical and standardized clauses for all euro area Member States ... consistent with the CACS that are common in New York and English Law … includ[ing] an aggregation clause."

international capital markets by both Iceland in June 2011 and Dubai in early 2011 at reasonable yields, following Dubai World's debt restructuring agreement in September 2010 in a framework that was in line with the *Principles* (Box 6).

Finally, the PCG monitored developments in Côte d'Ivoire. It took note of the difficulties facing the new government, in the aftermath of a prolonged conflict, to meet the interest payments due to its bilateral official and external private creditors (communicated openly to all creditors), and of its intention to reach understandings with its creditors in the context of a new adjustment program supported by the IMF (Box 7).

Box 4. Greece—Voluntary Private Sector Involvement

While Greece has made substantial strides since the adoption in May 2010 of its 3-year reform program supported by the Euro Area and the IMF in lowering its fiscal deficits and introducing several far-reaching structural reforms, major challenges still remain, most notably in enhancing market confidence and regaining market access (originally envisaged for 2012). Real GDP will continue to decline in 2011 for the third consecutive year, the primary budget balance remains in deficit, and the debt/GDP ratio continues to rise sharply, exacerbating the concerns about debt sustainability. Greece has reinforced its efforts to combat tax evasion and boost revenue collection, strengthening control over public expenditure commitments. It needs to implement ambitious privatization programs, and help restore positive output growth through additional supply-enhancing structural reforms. These efforts form part of a new 3-year adjustment program that is currently under discussion with the Euro Area authorities and the IMF, which requires additional official financing on long-maturity and low-cost terms, as well as appropriate voluntary PSI for the covering of Greece's funding needs and the need to help restore debt sustainability.

Against this background, the Euro Area Heads of State/Government and E.U. Institutions agreed at their Summit meeting of July 21, 2011, on a new support package for Greece, including as an integral part a voluntary PSI. The PSI is based on a financing proposal put forward by the IIF, as outlined below. The process under which the PSI was negotiated is an outstanding example of applying in practice the core guidelines of the *Principles*—open dialogue, transparency, good-faith negotiations, voluntary participation, and fair treatment of all private creditors.

More specifically, the Eurogroup Working Group (EWG)—composed of senior officials from Euro Area countries and European institutions and charged by the Eurogroup of Finance Ministers to develop proposals to address Greece's funding needs—invited the IIF in mid-June 2011 to engage in a dialogue on the appropriate form and volume of PSI. To this end, the IIF formed a Task Force on Greece (TFG), composed of representatives of some 30 of the largest private investors in Greek government bonds, most of which are IIF members. The TFG held several meetings and conference calls to formulate agreed-on positions and recommendations, which were subsequently discussed informally with the EWG in several meetings held in Rome and Brussels. These recommendations were discussed by a senior group of private sector investors with senior Euro Area officials and were finally presented as the IIF Financing Offer for Greece to the Euro Area leaders at their July 21 meeting.

The IIF PSI proposal entails essentially a willingness on behalf of a broad range of private sector investors in Greek sovereign bonds to participate in a voluntary program of debt exchange and a debt buyback scheme designed to provide significant cash-flow support to Greece during the 9-year period to 2020 and at the same time make a major contribution to improving Greece's debt sustainability. The debt exchange is based on a targeted 90 percent participation rate and will involve four long-term debt instruments with principal collateralization and at coupons significantly below current market rates (particularly in the first 5 years), designed to produce a 21 percent net present value reduction and a lengthening of average maturity from 6 to 11 years.

On the basis of IIF estimates that assume that growth recovers in line with official projections and the primary fiscal balance shifts to a surplus above 6 percent of GDP, the ratio of public debt to GDP would decline from 142 percent in 2010 to 98 percent by the end of 2020, net of cash reserves, bank recapitalization funds, and collateral acquired as part of the debt exchange. At present, the outlook for the realization of some key assumptions, mainly about growth and the primary surplus, is somewhat uncertain. This highlights the need for Greece to sustain its efforts to implement the agreed reform programs so as to improve market confidence.

Enhanced Investor Relations

Both the official and private sectors increasingly recognize that prevention is the first line of defense against a financial crisis. As demonstrated by recent episodes of sovereign debt crises, close engagement and cooperation with private sector creditors are essential ingredients for the resolution of a country's debt difficulties. The *Principles* represent flexible guidelines for cooperative behavior and recognize the important role played by private capital. In this

Box 5. Iceland—Progress in Bank Restructuring

Further progress has been made over the past year in advancing the discussions between the resolution committees for the three failed banks and the creditor committees, the International Commercial Lenders Group (ICLG). Formal communication channels have been established between the ICLG and an ad hoc bondholder committee representing senior claims of over $23 billion. As a whole, the ICLG and the bondholder committee represent nearly $30 billion of debt exposure.

A welcomed agreement was reached in September 2010 on the restructuring of €2.3 billion of creditor claims of a small bank (Straumur) in a way that was fully consistent with the *Principles*. This agreement has provided encouragement that a similar open dialogue and transparency that led to this agreement could serve as a model for the other, admittedly more complicated, bank restructuring cases.

In December 2010, legislation (Act 151/2010) was approved dealing with foreign-exchange-denominated loans. Earlier in 2010, the Icelandic Supreme Court had ruled that ISK loans linked to foreign currencies were illegal, and thus the Central Bank of Iceland and the Financial Supervisory Authority had issued prudent guidelines regarding recalculation. The new act provides for a recalculation of f/x-linked and f/x-denominated housing and car loans in Icelandic króna.

In December 2010, Iceland also reached an agreement with the United Kingdom and the Netherlands to resolve the Icesave dispute, entailing a structure similar to a loan by both countries to the Icelandic deposit insurance agency, with government guarantee. However, this agreement was rejected in a national referendum on April 9, 2011. One potential avenue for settling the dispute remains via a legal process, before the European Free Trade Association (EFTA) Court. The case, however, has yet to be brought before the EFTA Court, but proceedings are expected to be initiated sometime next year.

At this stage the case concerns only an alleged breach of the European Commission (EC) Directive on Deposit Insurance Guarantees. If Iceland were to lose this case, the financial consequences are uncertain and subject to many factors (e.g., the recovery from the estate of Landsbanki). The expected proceeds over the next 2 years from the sale of real estate assets of Landsbanski Bank, the Icesave operator, are expected to allow Iceland to cover a significant portion of the Icesave deposit liabilities (up to $9 billion of claims), which would limit the financial risk faced by the government.

The most recent controversy has been a decision handed down by the District Court recognizing a claim filed upon Straumur after the cut-off date, potentially opening the door for claims unknown to date on all the bank estates. The Supreme Court is expected to rule on the appeal in September.

The resolution of the remaining distressed financial institutions continues in the respective Resolution Committees. The ICLG and the bondholder committee have achieved a considerable measure of success in the case of Kaupthing, where the level of transparency, engagement, and good faith are equally consistent with the *Principles* as the Straumur process. First steps toward transparency and an enhanced negotiation process also have been made in the resolution process for Glitnir. Efforts of the official sector to prohibit endless winding-up proceedings have provided a welcome tailwind effect.

On August 26, Iceland completed successfully its program supported by an IMF Stand-By Arrangement, following the sixth and final review by the IMF Executive Board. Going forward, policy dialogue and monitoring between the Fund and Icelandic authorities will take place under a Post-Program Monitoring arrangement. Real GDP growth is projected by the IMF to reach 2¼ percent in 2011, led by a recovery in investment. The IMF notes that public finances are on a sustainable path and external debt remains on a downward path, supported by the ongoing fiscal consolidation and the strong improvement in the trade balance. Meanwhile, Iceland returned to international bond markets on June 9 with the issuance of a $1 billion 5-year Eurobond, with a yield of 5.0 percent and a coupon of 4.875 percent.

Box 6. Dubai—Debt Restructuring

The government of Dubai has returned to international capital markets following Dubai World's (DW) restructuring agreement on September 9, 2010, with its creditors. Foreign and domestic bank creditors agreed to refinance their loans of $14.4 billion to DW through maturity extensions of 5–8 years at interest rates below market levels. The restructuring plan excludes the troubled property subsidiary Nakheel, which has been taken over by the government of Dubai.

The agreement between DW and its creditors is expected to improve the outlook of Dubai's economy, but it does not remove all uncertainties. The debt obligations falling due in 2011 and 2012 are still very high (equivalent to 28 percent of Dubai's GDP). Credit to the economy declined by about 5 percent in Dubai in the first half of 2011. Nonperforming loans (NPLs) rose with the recession, necessitating a further increase in provisioning. While the loan-to-deposit ratios have declined from the 2008 peak, they remain slightly above the 100 percent limit set by the central bank. The property market in Dubai remains weak.

Dubai's decision for a debt consultation process in line with the *Principles* has enhanced its chances for a successful return to international capital markets. Backed by United Arab Emirates federal resources, and having successfully restructured most of its debt, Dubai's financial position has improved markedly. Capital markets appear to be willing to extend financing to Dubai as demonstrated by the successful issue of a 10-year bond for $500 million in early 2011, with a yield of 5.6 percent and a put option after 5 years.

Box 7. Côte d'Ivoire—Creditor Relations During a Period of Political Instability

Côte d'Ivoire has experienced several months of political turmoil and violence after the run-off presidential elections in November 2010. The crisis virtually paralyzed economic activity, leading to a sharp contraction in 2011, estimated by the IMF at 7.5 percent of GDP. The crisis has also led to sharp widening in the government budget deficit (to about 8.5 percent of GDP) and the balance-of-payments deficit.

Following the resolution of the political crisis, a new Head of State (Alassane Ouattara) and a new government were officially installed on May 21, 2011. The new Minister of Finance of Côte d'Ivoire, Charles Koffi Diby, issued a communiqué on June 1, 2011, to the external private sector holders of $2.3 billion of government bonds in which he (1) expressed the willingness of the new government to resume a constructive dialogue with external creditors, (2) asked creditors for their continued understanding for the severe difficulties that the country was going through, and (3) indicated the government's full recognition of the missed interest payment due at end-2010 (of some US$29 million) and its commitment to communicate with its creditors "once it has been in a position to assess the situation of its public finances." Bondholders were referred to Côte d'Ivoire's legal and financial advisors for any questions they may have.

The resumption of interest payments on Côte d'Ivoire's bonds remains stalled. In a second communiqué to bondholders, the Minister of Finance announced on July 8, 2011, that, due to the severe damage to the economy of Côte d'Ivoire resulting from the past electoral crisis, it was apparent that the country will not be able to make any of its scheduled payments of external debt due in 2011 to the Paris Club or private holders of the $2.3 billion bond. Contractual payments to private creditors will resume in 2012, as Côte d'Ivoire fully recognizes its obligations. Also, it is expected that repayment of the three missed coupons (December 2010, June and December 2011) will be made over a period of time beginning in the first half of 2012 and ending as soon as permitted by the payment capacity.

Meanwhile, the IMF approved on July 8, 2011, the disbursement to Côte d'Ivoire of $129.3 million under the Rapid Credit Facility to support the country's economic recovery program, following the dislocations from the protracted political crisis and internal conflict. Côte d'Ivoire expects to negotiate a new program with the IMF under the Extended Credit Facility (ECF) that will provide the basis for a new interim agreement with the Paris Club and facilitate the normalization of relations with private creditors.

External creditors were informed by the Ivorian authorities that a detailed proposal will be presented to bondholders following the assessment of Côte d'Ivoire's payment capacity upon completion of the discussions on a new IMF program under the ECF.

context, IR programs, used by a growing number of sovereign borrowers, have continued to be of particular importance in aiding sovereign issuers that are active in international capital markets to maintain investor interest and support.

IR programs are proven vehicles for the sovereign to foster dialogue and engagement with their private external creditors that may be of particularly high value during periods of financial stress. The nature and extent of PSI in the resolution of debt problems in recent years demonstrates that timely dialogue with investors can minimize the incidence and intensity of a financial crisis and facilitate the attainment of a critical mass of creditor participation in cases of debt restructuring.

Section IV of this report documents recent innovations in sovereign IRPs and data transparency and highlights nascent programs. The PCG has underscored that a regular briefing of creditors regarding economic policy developments can play a key role in allowing market participants to better assess the authorities' policy and objectives. More generally, the *Principles* can help strengthen the international financial system by encouraging countries to fill data gaps through improved dissemination.

IV. Investor Relations and Data Transparency

Since the establishment of the *Principles* in 2004, a growing number of sovereign borrowers have recognized the importance of active IR programs and strong data dissemination practices as tools to strengthen their relationship with the investor community. The *Principles* build on several best practices by both issuers and investors and are complemented by the support of these best practices by other agencies and international financial institutions, such as the IMF and the World Bank. The IIF's Special Committee on Financial Crisis Prevention and Resolution has called for IR strengthening by countries active in international capital markets to facilitate their market access, and the Institute has formed a technical advisory service to assist countries in their efforts to improve their IR. This section provides a broad overview of the IR and data dissemination practices of the most active emerging market borrowers.

The number of countries with formal IR programs in place increased from 5 in 2004 to 15 as of September 2011 (see Table 1). Panama and Uruguay institutionalized their IR activities in 2011 and have reinforced their outreach practices to investors. South Africa launched an IR website in the summer of 2011, enhancing further the country's strong data transparency practices and IR practices.

In the current volatile financial market environment, sovereign issuers with a track record of close engagement with their investor base have benefited from the formal and regular procedures for dialogue and interaction offered by sovereign IRPs.

Table 1. Active Investor Relations Programs

Country	Date of Launch of IRP	Location
Mexico	1995	Ministry of Finance and Public Credit
Brazil Central Bank Brazil Treasury	April 1999 2001	Banco Central do Brasil The National Treasury
The Philippines	July 2001	Bangko Sentral ng Pilipinas
Korea	2004	Ministry of Strategy and Finance
Turkey	August 2005	Prime Ministry Undersecretariat of Treasury
Indonesia	February 2006	Bank Indonesia
Peru	April 2006	Ministry of Economy and Finance
Morocco	December 2007	Ministry of Economy and Finance
Colombia	2008/Upgraded 2010	Investor Relations Colombia, Directorate of Public Credit, Ministry of Finance
Chile	Upgraded 2009	Ministry of Finance
Poland	February 2009	Investor Relations Division, Public Debt Department, Ministry of Finance
Dominican Republic	September 2009	The Public Debt Office, Ministry of Finance
Panama	April 2011	Ministry of Economy and Finance
Uruguay	April 2011	Ministry of Economy and Finance
South Africa	June 2011	National Treasury

Over the past year, Colombia, Indonesia, Mexico, and Panama have capitalized on more sophisticated channels of communication with investors by holding public conference calls. Public conference calls have allowed issuers to reach a broad cross-section of their investment base, in some cases complementing debt management policy objectives such as debt-pricing disclosure, tracking developments of primary and secondary market operations, and providing a better understanding of the investor base composition. To investors, sovereign IR offers a window for dialogue and first-hand interaction with the issuers. For the sovereign issuers themselves, the IRPs allow them to meet their government financing needs in a more cost-effective and efficient way and facilitate prudent macroeconomic policy management.

The new administration in Colombia has made important strides in improving further the country's economic performance and institutional development. In a series of investor conference calls, Colombian officials elaborated on the congressional approval of constitutional amendments allowing for a reform to the royalties regime and a fiscal sustainability initiative based on fiscal rules. Mexico reopened in April 2011 the reference fixed-rate Global Bond in U.S. dollars maturing in 2040, maintaining Mexico's active role in international capital markets. The Mexican Investor Relations Unit has offered the country's debt managers a valuable instrument to implement their public debt management strategy. Bank Indonesia has institutionalized quarterly conference calls since 2009, with close engagement from the Ministry of Finance. Panama and Uruguay have set up IR programs. Panama has already carried out two conference calls (see the next section for more details).

The IIF's IR and data practice assessments support the implementation of the *Principles,* as well as other initiatives on crisis prevention and resolution. As prevention is a critical element to minimize the incidence and intensity of financial crises, it requires countries to put in place sound macroeconomic policies, address structural and balance sheet vulnerabilities, and promote transparency and close engagement with private creditors through IRPs. By reporting advances in sovereign IR practices, this report provides information to both borrowing countries and the investor community. In addition to its role in serving as secretariat for the PCG, the IIF provides value to its members by providing sovereigns with IR best practice recommendations, including best practices on the format and frequency of data to be disseminated to the market. This report provides key borrowing countries with a unique opportunity to convey to market participants the efforts they are making to strengthen the dialogue with investors and furthermore presents authorities with an outline of elements of their IR and data transparency practices that could benefit from strengthening.

This report offers investors a comprehensive comparative evaluation of communication and data dissemination practices for 38 countries and a guide to locating available information relevant to investors. At the same time, investors are better equipped to assess whether country practices meet their expectations and needs. The IIF website provides links to the sovereign websites and contact information for persons responsible for communication with investors.[1]

The full scoring of each country in the IIF IR and data transparency index is shown in Tables 2 and 3. The best practices for IR used in this report have been endorsed by the Investor Relations Focus Group, composed of investment professionals from IIF member firms. These best practices can be used by emerging market economies to design country-specific IR programs. The index is a summation of the IR and data release practices scores on a prioritized basis. A detailed explanation of each criterion is provided in Appendix A. Appendix B describes the differences between sovereign investor relations programs and investment promotion agencies.

During the past year, authorities from Uruguay made significant progress in adopting a growing number of the IIF best practices for sovereign IR. Uruguay's scoring in the IIF IR index increased accordingly from 12 in 2010 to 32 in 2011. South

[1] See http://www.iif.com/emp/ir.

Africa and Colombia also reported efforts to improve their sovereign IR practices already in place. Colombia's enhanced practices translate to an increase of 4 units in the IIF index for IR as it currently scores 33, versus 29 in 2010. South Africa scores 36 in 2011, versus the 31 observed in 2010. The Dominican Republic, Lebanon, and Morocco also improved in the rankings.

It is worth noting the introduction of sovereign IR practices by Panama in the countries assessed by the IIF. Panama has established an already-strong program that meets many of the IIF best practices for sovereign IR. Panama scores 30 in the IIF IR index.

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Table 2. Overall Assessment of Investor Relations and Data Transparency Practices (Prioritized)

Investor Relations Practices Criteria		Investor Relations Office/Staff		Investor Relations Website			Dissemination of Macroeconomic Data and Policy Information						Investor Relations Contact List	Feedback and Communication Channels							Regular Self-Assessment	
		Presence of institutionalized investor relations activities	Investor relations staff identifiable and reachable through website(s)	Central Bank and government agency website(s) available in English	Reciprocal links to Central Bank, Ministry of Finance, and other government agency websites	Investors able to register for website subscription	Country subscribes to SDDS	Effective data transparency of market-relevant data	Macroeconomic data presented in market-friendly format	Historical policy information available	Forward-looking policy information available	Structural (legal, regulatory) information available	Active investor contact list	Web-based communication with investors	Bilateral meetings with investors	Non-deal roadshow(s)	Investor conference call(s)	Archives of investor presentations and/or conference call materials available on website(s)	Investor feedback reflected in policy decisions, per country	Senior policymakers accessible to investors	Regular self-assessment of investor relations activities	
	Weight	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	
Country	Score																					Country
Belize	7	0	0	3	0	0	0	1	0	0	0	2	0	0	1	0	0	0	0	0	0	Belize
Brazil*	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Brazil*
Brazil (Gerin)	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Brazil (Gerin)
Brazil (Treasury)	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Brazil (Treas.)
Bulgaria	21	0	0	3	1	0	1	3	2	2	3	2	0	0	1	0	0	0	3	0	0	Bulgaria
Chile	36	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	0	0	3	2	1	Chile
China	3	0	0	0	0	0	0	0	0	0	0	2	0	0	1	0	0	0	0	0	0	China
Colombia	33	2	3	3	1	1	1	2	0	0	3	2	3	2	1	1	1	1	3	2	1	Colombia
Costa Rica	11	0	0	0	0	1	1	1	0	0	0	0	0	0	1	1	0	0	3	2	1	Costa Rica
Croatia	11	0	0	3	1	0	1	3	0	0	0	2	0	0	1	0	0	0	0	0	0	Croatia
Dominican Republic	34	2	3	3	1	1	0	3	2	0	3	2	3	2	1	1	0	1	3	2	1	Dom. Rep.
Egypt	13	0	0	3	0	0	1	2	0	2	0	2	0	0	1	0	0	0	0	2	0	Egypt
Gabon	2	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	Gabon
Ghana	8	0	0	3	0	0	0	0	0	2	0	2	0	0	1	0	0	0	0	0	0	Ghana
Hungary	32	2	3	3	0	1	1	3	2	2	3	2	3	0	1	0	0	0	3	2	1	Hungary
Indonesia	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Indonesia
Kenya	10	0	0	3	1	0	0	1	0	2	0	2	0	0	1	0	0	0	0	0	0	Kenya
Korea	34	2	3	3	1	1	1	2	2	2	3	2	3	0	1	1	0	1	3	2	1	Korea
Lebanon	24	0	0	3	1	1	0	1	2	2	3	0	3	0	1	1	0	0	3	2	1	Lebanon
Malaysia	17	0	0	3	1	0	1	2	2	2	0	0	0	0	1	0	0	0	3	2	0	Malaysia
Mexico	34	2	3	3	0	1	1	3	2	2	3	0	3	2	1	0	1	1	3	2	1	Mexico
Morocco	19	2	3	3	0	1	1	1	2	0	0	0	3	2	1	0	0	0	0	0	0	Morocco
Nigeria	6	0	0	3	0	0	0	0	0	0	0	2	0	0	1	0	0	0	0	0	0	Nigeria
Pakistan	21	0	0	3	1	1	0	2	0	2	0	2	3	0	1	1	0	0	3	2	0	Pakistan
Panama	30	2	3	1	1	1	0	2	2	0	1	2	3	2	1	1	1	1	3	2	1	Panama
Peru	35	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	0	0	3	2	0	Peru
Philippines	34	2	3	3	1	1	1	2	0	2	3	2	3	2	1	1	0	1	3	2	1	Philippines
Poland	34	2	3	3	1	1	1	2	2	2	3	2	3	2	1	1	0	0	3	2	0	Poland
Romania	16	0	0	3	0	0	1	1	0	2	0	2	3	0	1	0	0	0	3	0	0	Romania
Russia	8	0	0	3	0	0	1	3	0	0	0	0	0	0	1	0	0	0	0	0	0	Russia
South Africa	36	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	0	0	3	2	1	South Africa
Tanzania	4	0	0	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	Tanzania
Thailand	21	0	0	3	1	1	1	2	0	2	0	2	3	0	1	0	0	0	3	2	0	Thailand
Tunisia	6	0	0	0	0	0	1	2	0	0	0	2	0	0	1	0	0	0	0	0	0	Tunisia
Turkey	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Turkey
Ukraine	11	0	0	0	0	0	1	1	0	0	0	2	3	0	1	0	0	0	3	0	0	Ukraine
Uruguay	32	2	3	3	1	1	1	3	2	2	0	2	3	0	1	1	0	1	3	2	1	Uruguay
Venezuela	10	0	0	0	1	1	0	2	0	0	0	0	3	2	1	0	0	0	0	0	0	Venezuela
Vietnam	9	0	0	0	0	0	0	0	0	0	0	2	3	0	1	0	0	0	3	0	0	Vietnam
Zambia	4	0	0	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	Zambia

*Reflects a combined score of the Gerin office at the Banco Central do Brasil and the IRU office at the National Treasury.

Table 3. Assessment of Data Dissemination Practices (Prioritized)

Elements in Data Practices		Central Government Operations (CGO) **							Central Government Debt (CGD) ***				
		SDDS subscriber*	CGO periodicity	CGO timeliness	Time series availability	Domestic and external financing availability	MGFS 1986 (cash accounting)	GFSM 2001 or transition toward GFSM 2001 (accrual accounting)	CGD timeliness	CGD debt periodicity	Time series availability	Domestic and external debt breakdown availability	Contingent liabilities availability
	Weight	2	1	2	3	1	1	3	2	1	3	1	2
Country	Score												
Belize	16	1	1	0	3	0	0	0	0	1	3	1	0
Brazil	39	2	1	2	3	1	1	0	2	1	3	1	2
Bulgaria	35	2	1	2	3	1	1	3	2	1	3	1	2
Chile	41	2	1	2	3	1	1	3	2	1	3	1	2
China	8	1	1	2	0	0	0	3	0	0	0	1	0
Colombia	32	2	1	2	3	1	1	0	2	1	3	1	2
Costa Rica	26	2	1	2	0	1	1	0	2	1	3	1	2
Croatia	37	2	1	0	3	1	1	3	2	1	3	1	2
Dom. Rep.	39	1	1	2	3	1	1	3	2	1	3	1	2
Egypt	38	2	1	2	3	1	1	3	2	1	3	1	2
Gabon	15	1	1	0	0	1	0	0	2	1	0	1	0
Ghana	12	1	1	0	3	1	1	0	2	1	0	0	0
Hungary	37	2	1	2	3	1	1	3	2	1	3	1	2
Indonesia	39	2	1	2	3	1	1	3	2	1	3	1	2
Kenya	24	1	1	0	3	1	1	0	2	1	3	1	2
Korea	30	2	1	2	3	1	1	0	2	1	3	1	2
Lebanon	26	1	1	2	3	1	1	0	2	1	3	1	0
Malaysia	26	2	1	2	3	1	1	0	2	1	3	1	2
Mexico	37	2	1	2	3	1	1	0	2	1	3	1	2
Morocco	36	2	1	2	3	1	1	0	2	1	3	1	2
Nigeria	13	1	1	2	0	1	1	0	2	1	0	0	0
Pakistan	28	1	1	0	3	1	1	3	2	1	3	1	2
Panama	25	1	1	1	3	1	1	0	2	1	3	1	0
Peru	38	2	1	2	3	1	1	3	2	1	3	1	0
Philippines	28	2	1	2	3	1	0	0	2	1	0	1	2
Poland	37	2	1	2	3	1	1	3	2	1	3	1	2
Romania	33	2	1	2	3	1	1	0	2	1	3	1	2
Russia	35	2	1	0	3	1	1	3	2	1	3	1	0
South Africa	39	2	1	2	0	1	1	3	2	1	3	1	2
Tanzania	19	1	1	2	3	1	1	0	2	1	3	1	0
Thailand	34	2	1	2	3	1	0	3	2	1	3	1	2
Tunisia	28	2	1	2	3	1	1	0	2	1	3	1	2
Turkey	37	2	1	2	3	1	1	0	2	1	3	1	2
Ukraine	25	2	1	2	3	1	1	0	2	1	3	1	2
Uruguay	39	2	1	2	3	1	1	0	2	1	3	1	2
Venezuela	31	1	1	0	3	1	1	0	2	0	3	1	2
Vietnam	4	1	0	0	0	0	0	0	0	0	0	0	0
Zambia	9	1	1	0	0	1	1	0	2	1	0	1	0

* Countries subscribing to the IMF Special Data Dissemination Standard (SDDS).
** Central Government Operations (CGO).
Timeliness: 1 month after the end of the reference period
Periodicity: Monthly
MGFS 1986: Identifies countries that use classification of fiscal statistics according to the IMF's *A Manual of Government Finance Statistics, 1986* (MGFS 1986).
GFSM 2001: Identifies if government accounting follows the definition and classification of the IMF's *Government Finance Statistics Manual, 2001* (GFSM 2001).
*** Central Government Debt (CGD).
Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly
Amortization Schedule for CGD.
Preferably, dissemination of government debt service presented at least annually for a period of at least five years from the effective date of the debt data.
Annual data should be supplemented with quarterly data at least for the year immediately ahead.

Central Government Debt (CGD) ***			External Debt****								
Term break-down done by original maturity	Amortization schedule disseminated at least every 3 months	Amortization schedule presents contingent liabilities	External debt timeliness	External debt periodicity	Time series availability	Resident holdings of public debt issued internationally	Non-resident holdings of public debt issued domestically	Non-resident holdings of private debt issued domestically	Amortization schedule disseminated at least every 6 months	Amortization schedule presents private and public sector separation	
1	3	2	2	1	3	1	1	1	3	2	
											Country
0	0	0	2	1	3	0	0	0	0	0	Belize
1	3	2	2	1	3	1	1	1	3	2	Brazil
1	3	0	2	1	3	1	1	1	0	0	Bulgaria
1	3	2	2	1	3	1	0	1	3	2	Chile
0	0	0	0	0	0	0	0	0	0	0	China
1	3	0	2	1	3	1	1	1	0	0	Colombia
1	0	2	2	1	3	1	0	0	0	0	Costa Rica
1	3	0	2	1	3	0	1	1	3	2	Croatia
1	3	2	2	1	3	1	1	1	3	0	Dom. Rep.
1	3	0	2	1	3	1	0	0	3	2	Egypt
1	3	0	2	1	0	0	0	1	0	0	Gabon
1	0	0	0	1	0	0	0	0	0	0	Ghana
1	3	0	2	1	3	1	1	1	2	0	Hungary
1	3	0	2	1	3	0	1	1	3	2	Indonesia
0	0	0	0	1	3	1	0	1	0	2	Kenya
1	3	0	2	1	3	0	1	0	0	0	Korea
1	3	0	2	1	3	0	0	0	0	0	Lebanon
1	0	0	2	1	3	0	0	0	0	0	Malaysia
1	3	0	2	1	3	1	1	1	3	2	Mexico
1	3	2	2	1	3	0	1	1	3	0	Morocco
1	0	0	2	1	0	0	0	0	0	0	Nigeria
1	0	0	2	1	3	0	1	1	0	0	Pakistan
1	0	0	2	1	3	0	0	0	3	0	Panama
1	3	0	2	1	3	1	1	1	3	2	Peru
1	3	0	2	1	3	1	1	1	0	0	Philippines
1	3	0	2	1	3	1	1	1	0	2	Poland
1	0	0	2	1	3	0	1	1	3	2	Romania
1	3	0	2	1	3	0	1	1	3	2	Russia
1	3	2	2	1	3	1	1	1	3	2	South Africa
0	0	0	2	1	0	0	0	0	0	0	Tanzania
1	0	0	2	1	3	0	1	0	3	2	Thailand
1	0	0	2	1	3	0	1	1	0	0	Tunisia
1	3	0	2	1	3	1	1	1	3	2	Turkey
1	0	0	2	1	0	0	1	1	0	0	Ukraine
1	3	2	2	1	3	1	1	1	3	2	Uruguay
1	3	0	2	1	3	1	1	1	3	0	Venezuela
0	0	0	2	1	0	0	0	0	0	0	Vietnam
0	0	0	0	0	0	0	1	0	0	0	Zambia

Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly

**** External Debt.
Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly
Amortization Schedule for External Debt.
It is important that data cover both public and private sector debt.
Preferably, amortization payments presented at least annually for a period of at least five years from the effective date of the debt data.
Annual data should be supplemented with quarterly data at least for the year immediately ahead.
Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly

V. Country Innovations in Investor Relations and Data Transparency

National Treasury of Brazil Publishes *Public Debt: The Brazilian Experience*

The Brazilian National Treasury, in partnership with the World Bank, published in August 2011 *Public Debt: The Brazilian Experience.* The book provides a comprehensive description of the evolution of Brazil's public debt management experience over the past several years. The publication may be of special interest to academics, investors, financial analysts, credit-rating agencies, and journalists. It was written by professionals with first-hand experience on debt management, mainly National Treasury staff, and authors from the World Bank, other Brazilian federal government institutions, and academics.

Colombia Enhances Relations with Investors with Upgraded Activities

Since the formal adoption of a formal sovereign investor relations program in 2008, the Colombian Ministry of Finance and Public Credit has improved its online IR outreach to investors, strengthening both its IR and transparency practices. The authorities have made significant strides in compiling forward-looking policy documents pertaining to government debt and fiscal information, written in both Spanish and English. The authorities also have compiled a useful guide to accessing Colombia's capital markets. Proactive investor relations practices include regular conference calls and non-deal road shows in major financial centers.

Increasingly sophisticated investor relations practices are expected to strengthen the institutional framework for debt management and support authorities' efforts to cope with the challenges and opportunities of the country's new investment grade status.

Colombia scores 33 in the IIF index for sovereign investor relations practices.

Dominican Republic Further Refines IR Practices

In the context of gradual improvement in public debt management and transparent policy with international investors, the Dominican Republic is taking proactive measures aimed at enhancing sovereign IR practices. Authorities' commitment to report their policy actions and intentions to the international financial community is demonstrated by recent non-deal roadshows conducted in major financial centers, including New York and London, with related presentation and background information available on the website of the Public Credit (PC) Unit.

In the context of heightened risk aversion in international capital markets, authorities are exploiting the benefits of social network media by keeping investors and users up to date on recent and upcoming activities, while gradually improving the content and presentation in the PC and on the related IR website. Authorities' efforts to strengthen transparency practices include preparing a roadmap for subscription to the SDDS standards and exploring the implementation of regular conference calls to international investors in the near future.

Lebanon Launches First Medium-Term Debt Strategy and Explores Enhancing IR Practices

In March 2011, the Ministry of Finance of Lebanon released "Debt Management Framework for 2010–2015," the first medium-term debt strategy produced by Lebanon. The framework covers Lebanon's debt regulatory framework, the debt management environment (including the medium-term fiscal outlook, composition and structure of debt, and risks associated with the debt profile), and targets of the debt management framework over the medium-term. Lebanese authorities aim to produce this document on an annual basis.

This initiative is part of the Ministry's efforts to strengthen its debt management practices, enhance fiscal transparency, and foster communication and better understanding of its policies by investors. Authorities conduct regular self-assessments of the Ministry's investor relations practices as they aim to adopt a formal investor relations program in the future.

Morocco's Authorities Heighten IR Practices

Authorities continue to bring their IR practices in line with market-standard practices. Data availability of central government debt has improved, and authorities gradually have posted more statistics in a market-friendly format. Investors can forward questions directly to a group of senior-official contacts who respond within 36 hours. Furthermore, authorities have resumed distribution of economic news (including newsletters) to the IR contact list and disseminate relevant information via social media.

In 2011 a draft Budget Law was issued, aimed at enhancing competitiveness of the economy. The Moroccan government simultaneously implemented short-term policies to address macroeconomic stability; in 2012 the government is expected to consider restructuring public expenditures and achieving fiscal sustainability while promoting broad and sustainable growth in the medium-term. Toward this end, gradual adoption of IR best practices and enhanced transparency is a welcome step as the government strengthens clarity and better understanding by investors of government efforts and actions.

Panama Institutionalizes Sovereign Investor Relations Program

Panama is one of the most stable credits among Latin American sovereigns. Despite the relatively slow global recovery, the Panamanian economy continues to perform strongly, driven by private and public consumption and strong investment. Panama's sovereign credit rating was elevated to investment grade in 2010. Positive rating actions and removal from the OECD Grey List reaffirm the Republic's commitment to sound economic management while further cementing Panama as a major financial center. Building on these achievements, the authorities launched an Investor Relations Program (IRP) in 2011 under the Public Credit Directorate of Panama's Ministry of Economy and Finance (MEF) to deepen communication and develop relations with the investor community.

The establishment of the IRP is an appropriate next step given Panama's strong economic position and activity in the market, as regular dialogue with market participants reaps essential dividends by strengthening debt management practices, thus enabling the authorities to gauge market perceptions more effectively. Moreover, this transparent platform complements the benefits of Panama's access to foreign capital markets and its openness to international trade and capital flows. Integrated within the Public Credit Directorate website, the IR section provides the appropriate platform to publish relevant economic data, share fiscal results with the public, and promote sovereign investment opportunities within the Panamanian capital market.

In the first half of 2011, Panama launched its quarterly conference call series hosted by top MEF officials. The IRP team, in collaboration with other government agencies, held non-deal roadshows in Madrid, São Paolo, and Toronto. The proactive IR work program for the rest of the year includes a series of global investment forums in Asia, Europe, and North America.

Poland Examines Ways to Improve Its External Sector Data

The National Bank of Poland (NBP) and the Central Statistical Office, in close collaboration with the IMF, are currently assessing ways to improve the quality of Poland's external sector statistics. The task builds on recent revisions in the external sector accounts by the Polish authorities. The authorities aim to assess the reasons behind an increasingly high level of errors and omissions in the Polish balance of payments accounts in recent years. The continued commitment of the authorities to conduct investigations that could result in further improvements in the quality of their balance of payments data is commendable.

South Africa Launches an Investor Relations Website

The South African National Treasury launched in June 2011 an IR website to complement its Investor Relations Unit in an effort to broaden the scope of communications and deepen the relationship with external investors.

The service brings together high-quality information on government debt and borrowing in an accessible web-based portal, under the auspices of the Asset and Liability Management Division of the National Treasury (NT). Steady implementation of the best practices for sovereign investor relations programs will further enhance the institutional framework toward deeper integration in global financial markets. South Africa launched its first 30-year bond in 2011, priced 180 basis points above U.S. Treasury benchmark bonds, establishing a benchmark for other national entities seeking to issue in USD markets. This deal was preceded by an investor teleconference, which benefited from earlier efforts of the NT toward enhanced IR practices. The strategy supports the authorities' goal of ensuring prudent fiscal management, strengthening policy coordination and the promotion of economic growth.

Uruguay Launches Sovereign Investor Relations Program

Leveraging an adequate statistical database and skillful debt management practices, the Debt Management Unit (DMU) of the Ministry of Economy and Finance launched in April 2011 a website that includes a formal IR program.

Authorities have made considerable strides in implementing IIF best practices for sovereign IR, including the operation of an online subscription service to investors. Uruguay's DMU has made efforts to further enhance transparency by compiling periodical reports on the performance of and key risk indicators of Uruguay's central government operations and its public debt. Periodical updates to investors on macroeconomic and financial indicators of the Uruguayan economy complement the reports prepared by the DMU staff. The IR portal provides relevant legal and regulatory documentation for non-resident investors, including the prospectus of the Uruguayan Global Bonds, and relevant regulations for foreign investors interested in domestic securities such as the Securities Market Law and the Debt Ceiling Law. National debt legal documents are available only in Spanish.

Authorities have engaged in proactive investor relations practices, including a non-deal roadshow held last May 2011 in Tokyo, catering to prospective investors and holders of the 10-year Samurai bonds placed last year. Material presented during the roadshow is readily available on the IR website. Given the noteworthy efforts toward improving IR practices, Uruguay's scoring on the IIF investor relations and data transparency index has more than doubled, from 12 in 2010 to 32 in 2011.

Appendix A. Evaluation Criteria for Investor Relations Programs

Described in this section are the 20 criteria that have been used to assess IR practices in this report, as well as the three key categories of data dissemination.

Presence of institutionalized IR activities

A formal IRP is characterized by an Investor Relations Office (IRO), designated IR officers, and an IR website. The office may be an independent entity or a department within another financial agency, such as the Ministry of Finance (or Treasury), or Central Bank. Most IROs maintain a separate website; however, in some cases IROs share a website with another government agency. In some cases a country can have institutionalized IR activities without having a formal IRP. The country must have these functions built into the existing framework of the Central Bank, Ministry of Finance, or government agency responsible for debt management. There must be staff responsible for communication with investors who fulfill these duties and are recognized by investors as reliable and accessible.

IR staff identifiable and reachable through website(s)

One or more official websites must contain contact information of at least one individual identified as an IR staff member and available to receive investor questions or comments. The information should be clearly marked and easy to access. The appropriate official may be either a designated IR officer or responsible for investor communications as one of his or her core duties. General information for webmasters or staff listings of those who are not responsible for IR functions does not meet this criterion.

Central Bank and government agency websites available in English

An IRO website in English is sufficient to meet this criterion. If there is not an IRO website, both the Central Bank and Ministry of Finance (or Treasury) websites must be in English. Ideally, the statistics agency website and other additional government agency websites will be published in English, but it is not a requirement to meet this criterion.

Reciprocal links to IRO, Central Bank, and Ministry of Finance websites

Key websites include the IRO, Central Bank, and Ministry of Finance (or Treasury) websites. This criterion is not met if one agency website contains links, but others do not reciprocate. Additional links to government agencies such as the debt management agency or national statistics office are recommended but not required to meet this criterion.

Investors able to register for website subscription

Investors can register on the IRO, Central Bank, or Ministry of Finance (or Treasury) website to subscribe to the website and receive relevant information such as data releases, policy information, or notices about roadshows or conference calls on a regular basis via email.

Country subscribes to SDDS

The country must subscribe to the IMF's SDDS, which was established by the IMF to guide members that have or that might seek access to international capital markets in the provision of their economic and financial data to the public. The SDDS identifies four dimensions of data dissemination: (1) data coverage, periodicity, and timeliness; (2) access by the public; (3) integrity of the disseminated data; and (4) quality of the disseminated data. For each dimension, the SDDS prescribes two to four monitorable elements—good practices that can be observed, or monitored, by the users of statistics.

Effective data transparency of key elements

Country authorities must disseminate key data related to central government operations, central government debt, and external debt in a timely manner. (See related section on data transparency for further detail.) Countries that meet this criterion score 15 or more out of a total of 42 points with respect to timeliness and periodicity criteria for these three areas of data. In addition, the effectiveness of dissemination has been evaluated on a 3-point scale, with the maximum points awarded to countries with the highest levels of data transparency.

Macroeconomic data presented in market-friendly format

To qualify for this criterion, data are presented in a format that can be easily manipulated in Microsoft Excel. Some data should be available in time series. Policy information is provided on one or more websites in a clear, succinct format that delivers the central points that authorities are seeking to convey. Countries must provide data and policy information on one or more websites in English.

Historical policy information available

Investors are able to locate recent retrospective policy information for various areas of data per the IMF's SDDS.

Forward-looking policy information available

Investors are able to identify the country's economic policy planning through the presentation of comprehensive economic outlook reports for the relevant period. This includes the identification of monetary and fiscal policy objectives, as well as assumptions of the economic variables relevant for the individual country. The presentation of the country's debt management strategy is encouraged but not required to meet this criterion.

Structural information available

Information on structural factors (e.g., legal, regulatory, governance frameworks) supported by the data must be available as appropriate.

Active investor contact list

Country authorities maintain a list of investors to meet this criterion. Ideally, authorities update and maintain their investor contact lists at least twice annually, and the officials from one or more government agencies should distribute policy and macroeconomic information to the investor list via email at least every 2 weeks.

Web-based communication with investors

Authorities respond to investor queries or concerns via email or via an HTML-based feedback mechanism. To meet this criterion, a general email box, specific email address, or HTML-based form must be provided on the IRO, Central Bank, or Ministry of Finance (or Treasury) websites. Responses should be received within 36 hours to fulfill this criterion.

Bilateral meetings with investors

Country authorities conduct bilateral meetings with investors on a regular basis. The meetings may be held domestically or abroad.

Non-deal roadshow(s)

Country authorities must conduct one or more non-deal roadshows annually.

Investor conference call(s)

Country authorities conduct regular investor conference calls on key economic data and policies at least every quarter. To qualify for this criterion, the call must be public. Investors should be invited via email and/or an announcement on a government agency website. The call should be led by the IRO head and senior department heads, with involvement of senior policymakers such as the Undersecretary of Finance or Deputy Governor of the Central Bank as needed. "Closed" calls, meaning that only a small group of investors is invited and the date and time of the call is not published on the website, do not qualify for this criteria.

Archives of investor presentations and/or conference call–related materials available on websites

Relevant official websites must contain an archive of materials presented to investors at roadshows, conference calls, or other meetings or seminars. Materials may include conference call replay and associated documents, investor presentations, and transcripts of speeches by key policymakers.

Investor feedback reflected in policy decisions

To fulfill this criterion, senior policymakers should have taken market input into account in their policy decisions. This criterion has been assessed on the basis of survey responses by country authorities and does not account for investor perceptions of whether feedback has been reflected in policy decisions.

Senior policymakers' participation in IR activities

Participation by senior policymakers (Minister, Central Bank Governor, or one of their deputies) is necessary when appropriate. Increasing involvement of senior policymakers is particularly significant at times of diminishing market confidence. To meet this criterion senior policymakers must be involved in at least two of the following three activities: (1) conference calls, (2) bilateral meetings, and (3) non-deal roadshows.

Regular self-assessment of IRP

Country authorities must conduct regular self-assessments of their IR efforts on an annual basis to identify successes and gaps. The self-assessment may be conducted through a survey distributed to the entire investor base or to a representative sample of the investor base.

DATA DISSEMINATION PRACTICES

We have assessed countries on the basis of 24 elements of data transparency. In addition to a country's subscription to the SDDS or GDDS, these elements capture six categories in the area of central government operations, eight categories in the area of central government debt, and eight categories in the external debt area. One critical area not covered in this report is financial sector information. Despite much progress—especially by the IMF and the World Bank—to assess financial sector vulnerabilities through Financial Sector Assessment Programs (FSAPs), few emerging markets have reporting systems in place that would allow regular dissemination of key financial sector indicators to the marketplace. At the same time, investors have expressed concern about the cross country comparability of data, for example, due to a lack of uniform definition of key data. Therefore, we have not attempted to capture data release in this important area.

Central government operations

Elements of timeliness and periodicity have been evaluated against the prescribed and encouraged elements set by the SDDS and IIF standards for central government operations. Special emphasis has been placed on compliance with encouraged data provision in this area.

With the introduction of the IMF's Government Finance Statistics Manual in 2001 (GFSM 2001), countries have gradually incorporated an accrual-based reporting system for the presentation of central government operations data. However, this methodology is significantly more time consuming, and progress has been modest. Moreover, the statistical expertise varies across countries. In our assessments, we have documented the progress toward the adoption of the GFSM 2001 standards.

We also have identified countries that have adopted a formal process toward implementation.

Central government debt

Individual assessments describe the current practices for the release of central government debt data assessed against the prescribed and encouraged elements of the SDDS and IIF standards for central government debt. In addition, we have placed special emphasis on data dissemination practices for government debt service projections. The IMF and IIF standards encourage quarterly reporting of interest and amortization on medium- and long-term debt for the next four quarters and then annually thereafter. Similarly, reporting of data on short-term debt falling due on a quarterly basis is encouraged.

We have identified instances in which amortization schedules are presented in a timely fashion, either as part of a particular report or in a section of the fiscal authority's website. Whenever the information is not presented in periodic publications available to the public, we have benefited from direct consultation with agencies involved in the compilation of fiscal statistics. Indeed, several countries are ready to provide the calendar of future debt payments upon request.

External debt

Disclosure of external debt data can be evaluated based on the criteria established by the IMF's SDDS and IIF data standards. Most countries covered in this exercise follow the template set by the SDDS with three levels of disaggregation: (1) by institutional sector, (2) by short-term and long-term maturities on an original maturity basis, and (3) by instrument. We also have reviewed the dissemination practices for the provision of more comprehensive and timely information in areas that are not prescribed by those standards, including the availability of debt amortization schedules, the relevant breakdowns by institutional sector, and the timely availability of those schedules.

In the case of external debt amortization schedules, our assessment of dissemination practices shows that Central Banks usually prepare and release this information. However, provision of central government debt data varies considerably across countries; in some cases, analysts will search hard to locate the schedule. Also, countries rarely meet the IIF's encouraged element of providing quarterly data for at least the immediate 12-month period.

Some data categories, which are neither prescribed nor encouraged by the IMF's SDDS, are nevertheless provided on an ad hoc basis. For example, rating agencies often use external debt ratios as indicators of debt sustainability. We have identified cases in which countries disclose this information on an ad hoc basis outside of the SDDS framework.

Additional aspects explored in the individual country assessments include the identification of resident holdings of public debt issued internationally, the non-resident holdings of public debt issued domestically, and the non-resident holdings of private debt issued domestically.

Appendix B. Differences Between Sovereign Investor Relations Offices and Investment Promotion Agencies

Investment Promotion Agencies (IPAs) and Investor Relations Offices (IROs) share many elements, but are unique in purpose. Proactive investor relations (IR) practices by an IRO support investment in the public sector through the management of sovereign debt instruments, while IPAs promote private sector investment. One cannot be viewed as a substitute for the other; due to their unique approach and goals, it is recommended that IROs and IPAs function separately.

While they are both government agencies designed to provide information to investors, the information they provide and the investors they target are quite different. Both convey targeted information to prospective investors via websites and in response to investment inquiries.

IPAs help to facilitate foreign direct investment (FDI) by advertising investment opportunities to multinational corporations interested in making overseas investments. IPAs help match foreign private companies and local private companies. Operationally, IPAs utilize traditional marketing and advertising techniques such as slogans and branding.

In contrast, IROs are defined by their straight-forward approach. IROs can be located within the Ministry of Finance or the Central Bank. If a country does not have an institutionalized IRO, the function of communicating with investors is typically carried out by the debt management office or the government agency responsible for sovereign debt management. IROs are designed to be an institutionalized communication channel between sovereign debt issuers and investors. It is important that the information conveyed to investors be delivered directly by government officials as opposed to third-party analysts. The purpose is to establish open two-way communication that promotes trust between the policymakers and investors.

On a day-to-day basis, IROs facilitate the communication between investors and country authorities. In addition, IROs play a broader role in increasing the stability of the financial system. The financial crises that have occurred over the past decade have galvanized actions by the international financial community to limit the severity and frequency of such crises, as well as to bolster the financial system more broadly. IROs have proven to be important pillars for helping avoid crises and are also crucial building blocks for a more effective approach to managing them.

An increasing number of emerging market authorities and market participants agree that IR programs are proven vehicles for advancing dialogue with investors, building on the delivery of data on key economic variables, and improving financial policies and performance. Regular, proactive strategies of IR programs enable country authorities to understand and communicate more effectively with their investor base, address concerns or questions, and shape market-informed policies.

Regular interaction with key officials regarding economic data, financial policies, and economic performance enables investors to make sound lending and investment decisions and provide feedback to country authorities. Such programs can also help authorities navigate through turbulent periods of market sentiment. When market conditions deteriorate, IROs allow policymakers to distinguish themselves within their asset class. Conversely, IROs strengthen the ability of investors to assess and manage risks.

Press and IR

The press office and IRO need to coordinate their activities because the message of both of these offices has to be consistent. A press office and an IRO can benefit from working closely together, as a press release from the press office may also be circulated by the IRO. A press release issued by the press office is not a substitute for IR. Sophisticated investors require a more detailed explanation of recent developments and policies. Following a press release, it is important for the IRO to be prepared to provide more detailed information on request.

Several authorities have explored co-mingling press and IR functions. Press and IR should be kept separate as the job of the IRO is to establish two-way communication with investors. Press officers deliver information in only one direction and do not need to be tuned into the market. The scope of a press office is far-reaching, while the focus of an IRO is specific to debt investors.

Annex I. Principles for Stable Capital Flows and Fair Debt Restructuring[1]

PREFACE

Since the mid-1990s, sovereign debtors and their private sector creditors have generally sought to put in place policies and procedures likely to promote and maintain sustained market access.

Most issuers have recognized the importance of implementing sound economic and financial policies (including monetary, exchange rate, and debt management policies), as well as developing domestic public support for those policies. Equally important are policies that preserve the rule of law and, in particular, maintain the sanctity of contracts, as well as other measures needed to advance an open investment environment. In maintaining sound policies, debtors have been guided by internationally accepted standards and codes to strengthen financial stability and to enhance transparency by providing timely economic and financial data.

For their part, most creditors make investment and lending decisions on their own merit, accept full responsibility for these decisions, and do not expect official sector bail-outs. As part of this process, creditors have sought to implement good practices in risk management, including thorough analysis of a borrowing country's implementation of sound economic and financial policies, as well as adherence to key standards and codes.

More recently in a significant step toward strengthening the resilience of the system, most debtors and their creditors have opted for the voluntary inclusion of collective action clauses (CACs) in international bond terms and conditions. These bonds have provided for amending payment terms through supermajority voting and for limiting precipitous legal actions through higher acceleration hurdles; a few bonds have also included provisions for debtor-creditor engagement.

In a growing number of cases, both issuers and creditors have pursued effective, two-way communication through robust investor relations programs (IRPs). This communication includes information and data on the issuer's key economic and financial policies and performance, with creditors providing feedback.

These *Principles* outline actions and behavior of private sector creditors and emerging market sovereign debtors to promote and maintain stable private capital flows to emerging market economies in the context of growth and financial stability. They are based on extensive and broadly based discussions among private creditors and sovereign emerging market issuers. Because individual cases will invariably involve different circumstances, the *Principles* should be applied flexibly on a case-by-case basis and are strictly voluntary. Accordingly, no party is legally bound by any of the provisions of these *Principles,* whether as a matter of contract, comity, or otherwise. Moreover, nothing in these *Principles* (or in any party's endorsement thereof) shall be deemed to constitute a waiver of any such party's legal rights.

The *Principles* build on the progress since the mid-1990s to identify effective measures in order to shore up crisis prevention and encourage their continued implementation. The *Principles* promote early crisis containment through information disclosure, debtor-creditor consultations, and course correction before problems become unmanageable. They also support creditor actions that can help to minimize market contagion. In cases where the debtor can no longer fulfill its payment obligations,

[1] During the annual meeting of the Group of Trustees on October 10, 2010, the Trustees agreed to broaden the applicability of the *Principles* to go beyond the traditional emerging market sovereign issuers to encompass on a voluntary basis all sovereign issuers, as well as cases of debt restructuring in which the state plays a major role in influencing the legal and other key parameters of debt restructuring, based on the recommendation of a PCG Working Group on the Applicability of the *Principles.* The Group of Trustees also agreed to drop the reference to emerging markets from the title of the *Principles.* For more details, see Annex II of the October 2010 *Report of the PCG on the 2010 Implementation of the Principles for Stable Capital Flows and Fair Debt Restructuring.*

the *Principles* outline a process for market-based restructuring based on negotiations between the borrowing country and its creditors that involve shared information, are conducted in good faith, and seek to achieve a fair outcome for all parties. Such a process maximizes the likelihood that market access will be restored as soon as possible under sustainable macroeconomic conditions.

PRINCIPLES

1. Transparency and Timely Flow of Information

General disclosure practice. Issuers should ensure through disclosure of relevant information that creditors are in a position to make informed assessments of their economic and financial situation, including overall levels of indebtedness. Such disclosure is important in order to establish a common understanding of the country's balance of payments outlook and to allow creditors to make informed and prudent risk management and investment decisions.

Specific disclosure practice. In the context of a restructuring, the debtor should disclose to all affected creditors maturity and interest rate structures of all external financial sovereign obligations, including the proposed treatment of such obligations; and the central aspects, including assumptions, of its economic policies and programs. The debtor should inform creditors regarding agreements reached with other creditors, the IMF, and the Paris Club, as appropriate. Confidentiality of material non-public information must be ensured.

2. Close Debtor-Creditor Dialogue and Cooperation to Avoid Restructuring

Regular dialogue. Debtors and creditors should engage in a regular dialogue regarding information and data on key economic and financial policies and performance. IRPs have emerged as a proven vehicle, and countries should implement such programs.

Best practices for investor relations. Communication techniques should include creating an investor relations office with a qualified core staff; disseminating accurate and timely data/information through e-mail or investor relations websites; establishing formal channels of communication between policymakers and investors through bilateral meetings, investor teleconferences, and videoconferences; and maintaining a comprehensive list of contact information for relevant market participants. Investors are encouraged to participate in IRPs and provide feedback on such information and data. Debtors and investors should collaborate to refine these techniques over time.

Policy action and feedback. Borrowing countries should implement economic and financial policies, including structural measures, so as to ensure macroeconomic stability, promote sustainable economic growth, and thereby bolster market confidence. It is vital that political support for these measures be developed. Countries should closely monitor the effectiveness of policies, strengthen them as necessary, and seek investor feedback as warranted.

Consultations. Building on IRPs, debtors should consult with creditors to explore alternative market-based approaches to address debt service problems before default occurs. The goal of such consultations is to avoid misunderstanding about policy directions, build market confidence on the strength of policy measures, and support continuous market access. Consultations will not focus on specific financial transactions, and their precise format will depend on existing circumstances. In any event, participants must not take advantage of such consultations to gain a commercial benefit for trading purposes. Applicable legal restrictions regarding material non-public information must be observed.

Creditors' support of debtor reform efforts. As efforts to consult with investors and to upgrade policies take hold, the creditor community should consider, to the extent consistent with their business objectives and legal obligations, appropriate requests for the voluntary, temporary maintenance of trade and inter-bank advances, and/or the rollover of short-term maturities on public and private sector obligations, if necessary to support a borrowing country's efforts to avoid a broad debt restructuring. The prospects of a favorable response to such requests will be enhanced by the commitment to a strong adjustment program, but will also depend in part on continued interest payments on inter-bank advances and continued service of other debt.

3. Good-Faith Actions

Voluntary, good-faith process. When a restructuring becomes inevitable, debtors and creditors should engage in a restructuring process that is voluntary and based on good faith. Such a process is based on sound policies that seek to establish conditions for renewed market access on a timely basis, viable macroeconomic growth, and balance of payments sustainability in the medium term. Debtors and creditors agree that timely good-faith negotiations are the preferred course of action toward these goals, potentially limiting litigation risk. They should cooperate in order to identify the best means for placing the country on a sustainable balance of payments path, while also preserving and protecting asset values during the restructuring process. In this context, debtors and creditors strongly encourage the IMF to implement fully its policies for lending into arrears to private creditors where IMF programs are in place, including the criteria for good-faith negotiations.

Sanctity of contracts. Subject to their voluntary amendment, contractual rights must remain fully enforceable to ensure the integrity of the negotiating and restructuring process. In cases where program negotiations with the IMF are under way or a program is in place, debtors and creditors rely upon the IMF in its traditional role as guardian of the system to support the debtor's reasonable efforts to avoid default.

Vehicles for restructurings. The appropriate format and role of negotiation vehicles such as a creditor committee or another representative creditor group (hereafter referred to as a "creditor committee") should be determined flexibly and on a case-by-case basis. Structured, early negotiations with a creditor committee should take place when a default has occurred in order to ensure that the terms for amending existing debt contracts and/or a voluntary debt exchange are consistent with market realities and the restoration of growth and market access and take into account existing CAC provisions. If a creditor committee is formed, both creditors and the debtor should cooperate in its establishment.

Creditor committee policies and practices. If a creditor committee is formed, it should adopt rules and practices, including appropriate mechanisms to protect material non-public information; coordinate across affected instruments and with other affected creditor classes with a view to form a single committee; be a forum for the debtor to present its economic program and financing proposals; collect and analyze economic data; gather, evaluate, and disseminate creditor input on financing proposals; and generally act as a communication link between the debtor and the creditor community. Past experience also demonstrates that, when a creditor committee has been formed, debtors have borne the reasonable costs of a single creditor committee. Creditors and debtors agree jointly what constitute reasonable costs based on generally accepted practices.

Debtor and creditor actions during restructuring. Debtors should resume, to the extent feasible, partial debt service as a sign of good faith and resume full payment of principal and interest as conditions allow. Debtors and creditors recognize in that context that typically during a restructuring, trade lines are fully serviced and maintained. Debtors should avoid additional exchange controls on outflows, except for temporary periods in exceptional circumstances. Regardless of the specific restructuring mechanics and procedures used (i.e., amendment of existing instruments or exchange for new ones; pre-default consultations or post-default committee negotiations), restructuring terms should be subject to a constructive dialogue focused on achieving a critical mass of market support before final terms are announced. Debtors should retain legal and/or financial advisors.

4. Fair Treatment

Avoiding unfair discrimination among affected creditors. The borrowing country should avoid unfair discrimination among affected creditors. This includes seeking rescheduling from all official bilateral creditors. In line with general practice, such credits as short-term trade-related facilities and inter-bank advances should be excluded from the restructuring agreement and treated separately if needed.

Fairness of voting. Bonds, loans, and other financial instruments owned or controlled by the sovereign should not influence the outcome of a vote among creditors on a restructuring.

Annex II. Best Practices for Formation and Operation of Creditor Committees

I. INTRODUCTION

The best practices for the formation and operation of Creditor Committees are based on extensive discussions among members of the IIF's Working Group on Crisis Resolution. Additionally, these best practices have been broadly endorsed by the Principles Consultative Group. The PCG consists of senior officials from a broad cross-section of emerging market economies and senior bankers and investors involved in emerging markets finance, many of whom have been involved in the formulation of the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets.* This Group has been engaged in both encouraging and monitoring the practical application of the *Principles* in emerging markets through assessments of a variety of country cases. The PCG's input has been important in the shaping of these best practices in order to encourage participation from debtors who support the *Principles*. The *Principles* recommend the use of Creditor Committees in cases in which a debtor defaults on its debt to private creditors and investors. In fact, the key advantage of Creditor Committees for debtors has been that endorsement of the terms of a debt restructuring by the Committee signals acceptability of the deal to the wider creditor community and ensures the support of a "critical mass" of creditors and investors.

The best practice principles for the formation and operation of Creditor Committees are based on established practices of the traditional London Clubs and adapted to the world of capital markets. As such, these principles aim to reflect the impact securities laws may have on both the Committee's operations and creditor-debtor interactions. They also reflect experience gained in corporate restructurings.

Going forward, support from other key bond investors should also be sought. The best practice principles should also be explained to the IMF and G-7 officials in order to facilitate supportive official sector policies, in particular as the IMF reviews its lending into arrears policy. It is important to stress that negotiations in good faith should remain the essence of debt restructurings. A move away from good-faith negotiations between issuers, creditors, and investors on the basis of a limited number of exceptions is inconsistent with the international understandings that have been historically at the heart of sovereign debt restructurings. Such negotiations are also the operational consequences of the restoration of Collective Action Clauses (CACs), which have been welcomed by the G-7 and the IMF.

II. THE ROLE OF GOOD-FAITH NEGOTIATIONS AND CREDITOR COMMITTEES IN THE *PRINCIPLES* FOR EMERGING MARKETS

General Guidelines for Sovereign Debt Restructurings

The *Principles* provide general guidelines that lay the basis for a voluntary, good-faith debt restructuring process. Paramount among these guidelines is the notion of good-faith negotiations between a debtor and its creditors; the *Principles* put these two parties at the center of the negotiation process. The *Principles* recognize the sovereignty of the debtor while upholding the sanctity of contracts during debt restructurings.

Good Faith

The *Principles* place great importance on good-faith negotiations as a key element of the debt restructuring process. They call on creditors and debtors to "engage in a restructuring process that is voluntary and based on good faith. Such a process is based on sound policies that seek to establish conditions for renewed market access on a timely basis, viable macroeconomic growth, and balance of payments sustainability in the medium term." The *Principles* add that "debtors and creditors agree that timely good-faith negotiations are the preferred course of action toward these goals, potentially limiting litigation risk." Such negotiations are thus at the heart of the restructuring process, including the operation of Creditor Committees.

However, it is very difficult to come to a precise definition of "good faith" and it is neither wise nor practical to seek an exhaustive set of criteria to evaluate this principle. We agree that, rather than defining the principle itself, the most productive approach is for any participant in the negotiation process to indicate when it believes that actions of another party have not been conducted in good faith.

Creditors and Debtors at the Center of the Negotiation Process

As a joint product of issuers and investors, the *Principles* maintain that the final result of the restructuring process should be obtained through cooperative interaction between the debtor and its creditors. (See above section on good faith.) The Principles also maintain that "regardless of the specific restructuring mechanics and procedures used (i.e., amendment of existing instruments or exchange for new ones; pre-default consultations or post-default committee negotiations), restructuring terms should be subject to a constructive dialogue focused on achieving a critical mass of market support before final terms are announced."

Sovereignty of the Debtor

The *Principles* recognize the sovereign nature of the debtor. They emphasize the importance of putting a country back on a sustainable balance of payments path, while preserving and protecting asset values during the restructuring process. At the same time, they also uphold the sanctity of contracts between sovereign debtors and creditors, stating that, "subject to their voluntary amendment, contractual rights must remain fully enforceable to ensure the integrity of the negotiating and restructuring process."

The Role of Creditor Committees in the *Principles*

The *Principles* support debtor-creditor negotiations as the preferred way forward in cases which require a debt restructuring. They also articulate the role of Creditor Committees in such negotiations, especially in cases of default.

Under the sub-principle "vehicles for restructuring" the *Principles* state,

> The appropriate format and role of negotiation vehicles such as a creditor committee or another representative creditor group (hereafter referred to as a "creditor committee") should be determined flexibly and on a case-by-case basis. Structured, early negotiations with a creditor committee should take place when a default has occurred in order to ensure that the terms for amending existing debt contracts and/or a voluntary debt exchange are consistent with market realities and the restoration of growth and market access and take into account existing CAC provisions. If a creditor committee is formed, both creditors and the debtor should cooperate in its establishment.

Recent experience has been mixed, with authorities taking different approaches that were not in all cases seen by creditors as fully consistent with the *Principles*. All of the cases have been complex, involving a diverse set of market participants, instruments, and currencies. In many occasions, creditors have organized themselves into Creditor Committees at an early stage. In some cases, debtors have negotiated in good faith with Creditor Committees to reach restructuring agreements. In others, ad hoc Committees have been formed; debtors have preferred to consult with these Committees as well as with other creditors on a bilateral basis toward the formulation of an exchange offer. In some cases, the approach by sovereigns has been seen by creditors as coercive. In such instances, the spontaneous formation of Creditor Committees has been frequently resisted by the debtor country with the argument that the situation does not call for a Committee or that the Committee is not representative.

As the *Principles* will be reviewed from time to time and possibly updated, the circumstances under which Creditor Committees are the best avenue for a restructuring may be reviewed. For example, in one recent case, the restructuring with the private sector was preceded by a restructuring with the Paris Club with the usual request for comparability of treatment. The *Principles* do not "require" negotiations with a Committee in non-default cases, but the question has been raised whether a Committee approach should be preferred in circumstances in which a restructuring is mandated by the Paris Club. This seems to be a logical consequence of the comparability of treatment principle.

If a Creditor Committee is formed, the *Principles* provide guidelines in order to enhance its effectiveness. They stipulate that Creditor Committee "should

- Adopt rules and practices, including appropriate mechanisms to protect material non-public information;
- Coordinate across affected instruments and with other affected creditor classes with a view to form a single Committee;
- Be a forum for the debtor to present its economic program and financing proposals;
- Collect and analyze economic data;
- Gather, evaluate, and disseminate creditor input on financing proposals; and
- Generally act as a communication link between the debtor and the creditor community."

In addition, in October 2004 the International Primary Market Association (IPMA)[1] released standard collective action clauses for fiscal agency agreements under English law that contain provisions for the appointment of a single Creditor Committee.

III. BEST PRACTICE PRINCIPLES FOR CREDITOR COMMITTEES

1. Key Concerns Regarding Creditor Committees

Over the past few years, establishing Creditor Committees has faced certain hurdles. On the one hand, debtors have in some cases objected to recognizing Creditor Committees for various reasons: either because they were not involved in the formation of the Committee, had reservations regarding certain Committee members with whom they did not want to negotiate, questioned the Committee's representativeness, or because they simply did not want to negotiate with creditors and investors. On the other hand, some members of the creditor community have been reluctant to join Creditor Committees if they saw it as constraining their range of options.

Perceptions by some issuers that the Committee process is slow-moving and causes delay in the resolution of a debt problem have also been cited as a reason that they have favored a unilateral approach. When considering such an approach, issuers should be aware that refusal to negotiate may result in low participation and expensive lawsuits, and as a result possible constraints on market access.

Much of the debate has centered on the issue of "representativeness" of a Creditor Committee. In some cases, issuers' legal advisors have questioned whether Committee members have secured mandates from other members of the creditor community in order to represent them. Such a request goes against the grain of reality, however. Historically, members of Creditor Committees have not "represented" other creditors and investors but they have reflected the views of the creditor community during the negotiations with a view toward attracting a critical mass of support for negotiated restructuring terms. In a small number of cases, a group of creditors and investors, in particular fund managers, have appointed a representative to the Committee to negotiate on their behalf.

Representativeness has also been interpreted to mean sufficient diversity of creditors and investors. Diversity in turn has caused concerns in some quarters that Creditor Committees are cumbersome to deal with especially since different members of the creditor community may have divergent interests because they may have purchased credit default swaps or other protections, or because they may have

[1] On July 1, 2005, IPMA merged with the International Securities Market Association (ISMA). The combined entity is known as the International Capital Market Association (ICMA).

acquired instruments on the secondary market and thus are not original holders.

In today's market, a Committee having a diversity of creditors and investors would mean having banks, fund managers, hedge funds, and retail investors either represented and/or directly involved. However, debtors have objected that some types of creditors and investors who would need to have representativeness are not capable structurally of maintaining the needed confidentiality and obeying the applicable insider trading rules.

While confidentiality was protected by unwritten rules in the 1980s and 1990s, today's world of securities offerings has set higher standards.

One issue relates to the type of information a debtor can release ahead of an offering. (Unregistered offerings are speedier and lower cost options but the release of the "wrong" type of information may delay or prohibit the debtor from proceeding with an unregistered form, and instead a registered offering may be required.)

The other issue is that securities laws (in most jurisdictions) preclude trading on non-public material information, and a Committee is likely to come in contact with such information. This is a concern for creditors, investors, and debtors. For creditors and investors, the "stop trading" rules of some previous restructurings are not feasible. For the debtor who may bear many of the negative consequences of information leaks and insider trading, a "no trading" rule may be preferred for Committee members.

As a possible solution, a "code of conduct" has been used in a few cases in the sovereign context but cues have been taken in particular from corporate restructurings. Such a code is an agreement between the debtor and the Creditor Committee on a range of issues. It imposes simple restrictions on confidential information on both sides and offers more flexibility on trading for Committee members who commit to complying with insider trading rules.

The best practice principles articulated below address these key concerns as well as other issues with the aim to develop a better basis for Creditor Committees to be acceptable to issuers and protect the rights of creditors and investors.

2. Creditor Committee Best Practice Principles

A. Initial Formation

The initiative of forming a Creditor Committee can be taken through various approaches: the debtor can ask for a Committee to be formed—this has occurred in a few cases; the debtor and its creditors and investors (hereafter called "the creditor community"[2]) agree to form a Committee—this has been the most common case; or the creditor community initiates the formation of a Committee that reflects their interests.

B. Cooperation and Trust

1. In order for the negotiations to proceed in an orderly manner, an element of trust must be developed between the debtor and the members of the Committee, as well as among Committee members themselves.

2. The *Principles* call on the debtor and the creditor community to cooperate in the formation of the Committee. It is thus important to be aware of certain sensitivities a debtor may have regarding individual creditors and investors.

C. Diversity of the Creditor Community

1. The Committee should consist of creditors and investors who can reflect the interests of the range of members of the creditor community affected in the negotiation process.

2. Diversity of Committee members should encompass not only financial instruments and investment strategies but also regional differences. The latter is particularly useful in order to consider differential tax treatments and regulatory differences that may help design options to facilitate the participation of the creditor community in different jurisdictions in the restructuring.

[2] The "creditor community" includes banks, fund managers, hedge funds, and retail investors.

3. In order to facilitate participation by hedge funds and asset managers who may face conflicts of interest when they come into contact with material non-public information or other constraints (staffing, for example), an external representative could be appointed by either an individual fund or a group of fund creditors and investors, if considered necessary. Such an individual should have appropriate restructuring experience (as described below) and operate under his terms of reference. This representative would be bound by confidentiality parameters (see below) and would provide only the necessary information that his clients need in order to make decisions regarding the restructuring negotiations.

4. The Committee should be of a manageable size, but Committee membership should not be limited only to "large" creditors and investors. At the same time, the Committee as a whole should hold or represent a substantial amount of claims and include a diverse set of creditors and investors (see "Diversity" above).

5. A Committee must have credibility with the debtor and be able to signal that it has influence with a critical mass of all creditors and investors.

D. Speed of Process

1. The creditor community should work closely with the debtor toward the formation of the Committee, recognizing that this process can be initiated through different channels. There should be a presumption that speed is of the essence.

2. Creditors and investors should consider approaches to internal coordination that expedite rather than delay the process.

3. Creditors, investors, and the debtor should agree on the negotiation process that should be followed, including the nature and sequence of the discussions. Such an understanding, which of course should not delay the actual negotiations, could help inform the IMF, for example if judgments on lending into arrears need to be made.

4. Committee members should take into account the time commitment they must set aside from their day-to-day work in order to participate in restructuring negotiations. To ensure continuity, it is important that a particular creditor or investor be represented by the same individual throughout the restructuring process.

5. Effective Committee leadership will be key to ensuring an efficient Committee process.

E. Confidentiality

1. The members of the Committee, the debtor, and advisory firms should consider agreeing on and signing a "code of conduct."

2. Any information not already in the public domain is considered confidential.

3. Under the code, parties have to refrain from disclosing confidential information to anyone other than a list of related parties (provided they also subject themselves to the code) unless required by law.

4. Under the code, parties could issue periodic press releases that comply with applicable securities law to "share information with the market." Information must not be released that either "conditions the market" for an offering or that could be seen as deceptive.

5. Legal advisors to parties should advise on what information can be released.

6. Committee members should implement Chinese Walls or similar measures to ensure that those who make trading decisions are not in the possession of confidential information that is shared in the context of a restructuring negotiation.

7. Negotiations should take place directly between the debtor and creditors, without the participation of multilateral or bilateral organizations. Both debtor and creditors should avoid commenting on the negotiations.

F. Restructuring Experience

1. The "tool kit" of at least some of the Committee members' experience should include practical skills in sovereign and/or non-sovereign restructurings.

2. Creditors and investors who are new to the asset class should not be excluded for lack of experience, in particular if their claims are substantial.

3. Committee members should consider the feasibility of particular restructuring proposals they aim to advance with the debtor.

G. Legal Advisors

1. The law firm representing the Committee should have ample debt restructuring experience.

2. If the firm has business relationships with Committee firms, in particular those with sizable shares of the outstanding debt, potential conflicts of interest should be addressed internally.

H. Logistical Support

1. Creditor Committee members should share responsibilities for providing facilities and staff to arrange meetings and for handling communications with the debtor as well as other members of the creditor community not on the Committee.

2. The clearing system should be leveraged as a communication tool in cases in which a substantial amount of debt is held at the retail level.

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This report is published by the Institute of International Finance, Inc.
1333 H Street, NW, Suite 800E, Washington, DC 20005-4770
Tel: 202-331-8183 www.iif.com
September 2011